



NH EMPLOYMENT SECURITY

AUDIT INFORMATION

(This is an informational guide only)

With

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NH EMPLOYMENT SECURITY AUDIT INFORMATION

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This is not a procedural manual. This manual is for informational purposes only. This manual in no way limits the right of New Hampshire Employment Security to address issues and to make decisions in accordance with applicable law and regulations.

1.1 Objectives of a Field Audit Program

The primary objective of the Field Audit Program is to promote and verify employer compliance with state laws, regulations, and policies. A comprehensive program of field audits, along with employer status, collection and field investigations by Field Agents/Auditors is vital to a balanced tax program. It is necessary for proper and efficient administration of the New Hampshire Unemployment Compensation Statute (NH RSA 282-A).

The major objectives of a field audit program are:

1. To insure compliance with taxing provisions of the Law by:
 - a. Establishing the correct amount of taxes due.
 - b. Obtaining proper tax and wage reports in accordance with the Law.
 - c. Obtaining compliance by employers in maintaining books and records as required by the Law.
 - d. Assuring that registered employers are conducting bona fide businesses.
 - e. Determining the correct ownership of a business.
 - f. Analyzing the financial status of delinquent employers for collection action purposes.
 - g. Assuring that the liability date and the date of first wages paid are properly established.
2. To foster understanding by employers of the Law by:
 - a. Explaining their obligations and the legal requirements under the taxing provisions.
 - b. Explaining their obligations and the legal requirements under agency rules.
 - c. Explaining the availability of the various services offered by the NH Employment Security.
3. To maintain good agency-employer relationships through the dissemination of information pertaining to the programs of the NH Employment Security.

1.2 Definition of A Field Audit

A field audit is a systematic examination and verification of an employer's books and records covering a time period for which the employer is liable for reporting under the Law, or is found to be liable as a result of the audit.

1.3 Purpose of an Audit

An effective field audit will accomplish the following:

- a. Determine the correct total and taxable wages paid by the employer during each calendar quarter of the period being audited, and determine the amount of contributions, interest, and penalties required under the NH RSA 282-A to be paid on those wages.
- b. Reconcile the audit findings with amounts the employer has already reported to NH Employment Security.
- c. Determine the employer's financial ability to pay UI tax obligations.
- d. Identify any additional workers and/or total or taxable wages that were incorrectly reported, or not reported at all by the employer.
- e. Provide a cost-effective method of promoting employer understanding of an employer's rights and responsibilities under the NH RSA 282-A.

1.4 Authority to Review Records

The commissioner and the Field Agent/Auditor as its authorized representative is empowered to examine (audit) the records of a subject employer or an employing unit to administer and assure compliance with the Law.

NH RSA 282-A:117 Records and Reports; Record Keeping

Each employing unit shall keep true and accurate work records for such periods of time and containing such information as the commissioner may by rules prescribe. Such records shall be open to inspection and subject to be copied or reproduced by the commissioner, or his authorized representatives in this state at any reasonable time and as often as may be necessary at a place selected by the commissioner. The commissioner may, at his discretion, notify any employer of the prospective benefit rights of any individual in his employ. The commissioner may upon petition for cause authorize such records as he requires be maintained to be physically located in a state other than New Hampshire; however, when such petition is allowed, such records may, in the sole judgment of the commissioner, be examined at the department administrative office in this state or at their location outside this state. Where examination occurs outside this state, a penalty equal to all costs attendant thereupon, solely as computed by the commissioner, shall be paid by the employer to the department.

1.5 Audit Scope

The scope of an audit refers to the number of quarters audited. It is not necessary for an audit to cover the entire period of liability, the entire period since the last audit, nor in most cases is it necessary to cover the maximum period within the Statute of Limitations. All audits must cover a minimum of four (4) consecutive calendar quarters with the exception of the following situation.

Exception: If an employer correctly reports the liability date to the Agency, but goes out of business before 4 quarters of employment have occurred, the Field Agent/Auditor must audit all quarters of liability (1-3 quarters). For this exception to the requirement for a 4-quarter audit to apply, the employer must be out of business and not merely operating without employment.

An audit should start with a four (4) quarter sampling. The scope of the audit may need to be expanded to a prior year and to a succeeding year, depending upon the Field Unit's criteria for expansion. (1.7 Tolerance/Expanding the Audit)

An audit should not include any time period covered in a previous audit, nor should an employer be audited more than once in a 36-month period. The Chief Field Agent may approve exceptions.

1.6 Required Audit Scope

A pre-audit letter notifying an employer of an audit of their 2004 records may be sent anytime from 1-1-05 to 3-31-06. Audit letters sent after the 3-31-06 deadline must request records for the year 2005. Remember that in January or early February of any year, accounting records for the most recently ended year may not be complete, and therefore obtaining records for that time period may be more difficult. A Field Agent/Auditor conducting an audit as the result of a special assignment should request records for the time period covered by the assignment.

If audit expansion criteria are met (1.7 Tolerance/Expanding the Audit), an audit may be expanded to cover all completed quarters in the prior year and all completed quarters in the succeeding year. (See "Tolerance - Expanding the Audit" later in this chapter for expansion criteria.) The need to expand an audit lengthens the time period covered by the audit, which in turn affects the audit scope.

If an audit is to count towards the audit quota, the correct audit scope must be observed. The following examples show how audit expansion criteria, the audit date, first taxable wages date, and the employer's liability date can affect the audit scope.

1.7 Tolerance/Expanding the Audit

A tolerance level has been established for determining the need to expand an audit. Any decision to disregard the tolerance level must be justified and documented in the audit report. An audit must be expanded to the preceding year and to the succeeding year if:

- Underreported taxes of **\$500.00 or more** are discovered for a specific calendar year.

If an audit may be expanded to another year and an error is discovered in the expansion year that meets the criteria for expanding an audit, the audit may again be expanded to a prior year. The audit investigation should continue to be extended until the error rate does not meet the expansion criteria. However, the audit should not cover more than the current year and the three (3) preceding calendar years.

The Field Agent/Auditor must explain in the audit report why the audit was expanded, and what documents were reviewed for the expansion years.

EXAMPLE: An audit is conducted in 2004 for the calendar year 2003. The Auditor discovers underreported taxes greater than \$500. The audit must be expanded back to 2002 and forward to the current quarter in 2004.

NOTE: For example, an audit of the 2003 Form 1099 Miscellaneous Income

Statements revealed that the employer misclassified some employees as "contract labor". This action created a \$500 tax error, which required an expansion of the audit back to the year 2002. The Field Agent/Auditor need only expand the search for hidden and misclassified wages using the 2002 Form 1099 Miscellaneous Income Statements. The same expansion criteria applies if \$500 in tax is underreported in 2002.

1.8 Audit Quota

The Department of Labor (DOL) has established a Performance Measure for audits. Each fiscal year New Hampshire is required to audit 2 percent of the active employers excluding reimbursing and governmental accounts. The DOL also requires that 1 percent of all audits be "large" employers.

1.9 Audit Selection

1. Employers selected randomly through the mainframe.
2. Field assignments may request an audit at the direction of the Chief Field Agent. These may include:
 - Status assignments.
 - Tips from outside sources.
 - Assignments from Legal, Quality Control, Benefit Payment Unit.

1.10 Components of a Completed Audit

A completed audit includes a written report of findings and conclusions, along with any documentation or evidence that supports the findings and conclusions in the report.

Audit reports must contain sufficient information to show:

- a. The name and title of the individual with whom the purpose of the audit was discussed prior to the audit. When an employer designates a representative, the name and title of the authorizing employer and the designated representative must be recorded.
- b. How the existence of the business was verified.
- c. How the ownership was verified.
- d. What payroll record tests were performed, and what evidence was gathered to verify the accuracy and completeness of payroll, including,
 1. Verification of the payroll posting system.
 2. Reconciliation of total payroll to total wages.

3. Computation of total taxable payroll.
4. Reconciliation of verified total taxable payroll to reported total taxable wages.
- e. What other employer records were available and examined and what evidence was gathered in the search for misclassified workers and unreported wages, including,
 1. Contract labor records.
 2. Cash disbursements.
 3. General Ledger and Detailed General Ledger.
 4. Miscellaneous reports and records.
- f. Name, title, and telephone number of the individual with whom a Post Audit Discussion was held.
- g. The number of quarters audited.
- h. That all monies due were collected and, if not, an explanation was provided.
- i. That all necessary adjustment forms were completed and submitted.

Note: The Field Unit looks to see that adjustments are posted to the wage record system, however it is not the Field Agent's/Auditor's responsibility to ensure they are posted.

1.11 Review Process for Audits

All completed audit reports and work-papers are reviewed for completeness, accuracy, and compliance with audit requirements.

- a. Yearly review of the state audit program by the Tax Performance System Reviewer (TPS). The TPS reviewer randomly chooses 60 completed audits for compliance with audit requirements.
- b. State program reviewed by DOL every 3-4 years.

2.1 Wages - NH RSA 282-A:15

I. Wages means every form of remuneration for personal services paid or payable to a person directly or indirectly by his employing unit, including salaries, commissions, bonuses, and the reasonable value of board, rent, housing, lodging, payment in kind and similar advantages estimated and determined in accordance with the rules of the commissioner of the Department of Employment Security.

2.2.1 Excess Wages

Taxable wages for New Hampshire unemployment reporting purposes is limited to the first \$8000 paid by an employer to an individual in employment during a calendar year. All wage payments must be reported, but only the first \$8000 is taxable. Payments during the calendar year that exceed the \$8000 limit are referred to as excess wages.

The \$8000 taxable wage limit applies to each employer who pays the employee and not to the combined amount paid to an employee by all of his employers.

In a situation where there are approved predecessor/successor employers, and a transfer of compensation experience has occurred, the successor employer may take into consideration those wages paid to an employee during a calendar year by the predecessor employer. This predecessor/successor situation applies only if a transfer of compensation experience has occurred.

2.2.2 Excess Wages for Multi-State Employee

An employer may take into consideration wages paid to an employee for service in another state in determining the amount of taxable wages, which must be reported under New Hampshire law.

2.3 Employer Payments

Employers in New Hampshire are required to submit reports on a quarterly basis detailing who worked for them and how much the workers were paid. State unemployment tax is calculated on the reported wages.

2.3.1 No Voluntary Waiver of Coverage

NH RSA 282-A:157 Waiver of Rights Void

Any agreement by an individual to waive, release, or commute his rights to benefits or any other rights under this chapter shall be void. Any agreement by an individual in the employ of any person or concern to pay all or any portion of an employer's contributions, required under this chapter from such employer, shall be void. No employer shall directly or indirectly make or require or accept any deduction from wages to finance the employer's contributions required from him, or require or accept any waiver of any right hereunder by any individual in his employ. Any employer or officer or agent of an employer who violates any provision of this section shall be guilty of a misdemeanor if a natural person, or guilty of a felony if any other person. Provided that this section shall not apply to agreements, waivers or releases entered into pursuant to reciprocal arrangements made under RSA 282-A:169-172.

2.4 Pre-Audit Interview

The Field Agent/Auditor must conduct a pre-audit interview with the employer or their designated representative. The purpose of the pre-audit interview is to:

- Ensure that the employer is aware of the audit and understands its purpose.
- Determine who the employer's designated representative is for the audit and establish with whom the audit results should be discussed.
- Determine if the employer is in bankruptcy so that only appropriate collection action is taken.

The pre-audit interview must be held with:

1. The owner, if the organization is a sole proprietorship.
2. A partner, if the organization is a partnership.
3. An officer, if the organization is a corporation.
4. A director, member, or board member if the organization is an association or a Limited Liability Company (LLC).
5. A designated representative. The pre-audit questionnaire may be returned by an owner, partner, officer, director, member, or board member identifying a "designated representative" for the pre-audit interview. Delegating the audit responsibilities to someone else may also be done verbally by the employer. The Field Agent/Auditor must indicate in the audit report the name, title, and phone number of the designated representative and the name, title and phone number of the individual making the designation.

There may be cases where the owner or officer could not be contacted by phone or in person, and the Field Agent/Auditor did not receive an appropriately signed pre-audit questionnaire. In these cases, the Field Agent/Auditor must describe in the Comments Section the attempts made to contact the owners or officers, the reasons why they were unsuccessful, and with whom the pre-audit discussion was held.

EXAMPLE: All officers and owners live out of the country, business is run by the general manager, pre-audit discussion held with John Doe - General Manager.

Acceptable reasons include:

- The official was out of the country.
- The official does not speak English and designated a representative.
- The official is not located in the Tax Area, and failed to return the Field Agent's/Auditor's telephone calls.
- The official is not mentally or physically capable. For example, a domestic employer is in a nursing home and the Field Agent/Auditor contacts the son or daughter.

3.1 General Information

Due to the many types of records maintained by employers, an audit program cannot be standardized in every detail. The type of records kept by an employer will determine the manner in which the audit is performed, and therefore, the Field Agent/Auditor must determine what records the employer maintains.

Tact and good judgment can affect the success of the assignment. Field Agent/Auditor must assume that their actions during the course of an audit will be watched closely. They should be extremely careful in making statements or in expressing opinions until they are prepared to substantiate them fully. In other words, examine the records completely, ask questions, and then provide the audit results to the employer. Do not start a discussion about the audit results during the middle of the audit.

A quality audit not only requires the auditing of records but it also includes pre-audit and post audit conferences with the employer.

3.2 Understanding the Payroll Flow

Understanding the kinds of payroll records maintained by the employer, and the flow of information from one stage in the payroll system to the next stage is very important for a Field Agent/Auditor.

3.2.1 Flow of Data in a Typical Payroll System

The Field Agent/Auditor should have a general understanding of how documents flow in an employer's payroll system. The flow of payroll documents follows a general pattern.

1. Applicant completes an application for employment.
2. Applicant is interviewed.
3. Applicant is hired.
4. Employee completes the required employment paperwork - W-4, I-9, insurance papers, etc.
5. Employee information is sent to the Payroll Department and Personnel Department.
6. Employee starts to work.

All of the above steps could occur on the same day.

7. Employee punches time card each day, completes a time sheet or somehow records the amount of time worked.
8. Employee records are initiated and/or updated.
9. Rate and deduction authorizations are verified and a copy is sent to personnel.

10. Employee's total wages, deductions, and net pay are calculated and posted to the Individual Earnings Record for the payroll period.
11. Payroll check is prepared and given to the employee or electronically deposited in the employee's bank account.
12. Total payroll for the period (day, week, or month) is posted to the payroll journal.
13. Amounts in journals are totaled.
14. Computations of employer contributions for FICA and FUTA purposes (accrual accounting) are prepared.
15. End of month total payroll, and applicable accruals are posted to the general ledger. Tax deposits made if necessary (941, 940).
16. Preparation of quarterly tax reports (C-200 for NHES, 941).
17. Entries are made in the general ledger.
18. Tax reports and checks for amounts due are sent to the appropriate government agency.

At year end:

19. Year-end payroll data is verified and footed.
20. Year-end payroll reports are prepared (940, 941, 4th quarter NHES report, and W-2). Checks are written and sent to the appropriate governmental agency.

3.2.2 Flow of Data in a Computerized Payroll System

Many employers use a computer to maintain payroll records. Field Agents/Auditors should know how to audit around the computer.

1. After the pre-audit interview, start with the accounting department, bookkeeper, or accountant having the responsibility of furnishing input documents for the computer. Request and study the general ledger chart of accounts.
2. Secure an explanation as to the format and content of reports containing payroll and cash disbursement information.
 - a. Payroll data for salaried employees (name, address, social security number, deduction, salary payable, and year to date totals) is normally retained for processing based on the employer's pay periods. Only adjusting entries for overtime pay, unpaid leave, etc. would cause a change to usual payroll information for salaried employees.
 - b. The basic data for hourly employees normally includes the current hourly rate of pay. Time cards could then be used by the employer to input hours worked by the employee during the pay period, or may be used to prepare a payroll ledger.

- c. After making any necessary adjustments to the payroll system for salaried employees or other personnel, the payroll process is activated and a preliminary payroll run is printed. The preliminary run is usually checked by the owner, bookkeeper, or someone in the accounting department to determine if the employees listed on the run are relevant to the pay period involved and to substantiate the subtotals and totals.

If the information on the preliminary run is incomplete or in error, corrections are made and a second proof is run. When approved, the final payroll run is printed and payroll checks issued, usually as one of a sequence of events.

3. The Field Agent/Auditor should verify the information on the printouts with canceled checks or time cards on a sample basis. If discrepancies are found in the sample, the number of entries checked should be expanded.
4. The actual computer programs are complex and it is not necessary for the Field Agent/Auditor to have knowledge of all of the programs. Flow charts and record layouts are usually available from accounting or computer personnel who should be able to furnish the Field Agent/Auditor with the appropriate printouts.
5. The Field Agent/Auditor should compare the input documents with the computer printouts. The employer must be queried about questionable items and these items must be resolved in accordance with NH RSA 282-A.
6. The Field Agent/Auditor should remember that the computer system will only process payroll checks that are entered into the system as payroll. **It is still necessary to review other documents to search for unreported wages for casual or part-time labor, or wages paid to other workers that the employer does not consider to be in employment.**

3.3 Books and Records

The examination of books and records is divided into two parts. The first is the examination of acknowledged payroll, and the second is the review of other records that may reveal unreported wages. Each Field Agent/Auditor is required to examine at least one record type that is a source document during the course of the audit.

Payroll maintenance varies among employers. This affects the number and types of payroll and related records that are available for audit. The Field Agent/Auditor must determine what records the employer maintains, and also what payroll procedures are used. Learning what payroll records are available - from time card preparation all the way through to the final recording of wages paid - is extremely important in auditing an employer's payroll records.

In addition to reviewing the employer's payroll records, other business records must be examined for unreported wages. Many small employers do not maintain sophisticated records of payments for other business expenses. At a minimum, the Field Agent/Auditor should examine and analyze the employer's record of disbursements in an effort to locate unreported wages. The disbursement records in a very small business may consist only of cancelled checks and check stubs.

3.3.1 Records of Acknowledged Payroll

The books and records listed in this section contain payroll information about the employer's acknowledged employees.

NOTE: The letters "**S.D.**" denote a source document.

1. **Individual Earnings Records**

These records show some or all of the following information: each employee's name, social security number, home address, date of birth, job description, date of hire, gross amounts of wages, date of payments, deductions, net amount of wages and usually have totals at the end of each quarter and at year end.

2. **Employees Pay Period Earnings Statement**

The Employee's Pay Period Earnings Statement is a source document when direct deposit is used or the employee is paid in cash. Dated individual slips of paper may contain the employee's name, social security number, number of hours worked, rate of pay, total gross wages, deductions and net wages for each payment made to an employee. The audit report must provide an explanation when this document is used as a source document.

3. **Employer Benefit Programs**

Employers normally keep separate records for benefit programs, especially 125(a) (cafeteria plans) and 401(k), 403(b), or 408(k)(6) plans (deferred compensation plans).

4. **Federal Form 940**

Wages are reported on Federal Form 940 for the purpose of computing tax owed under the Federal Unemployment Tax Act (FUTA). Because the current taxable wage base for FUTA (\$7000) and the current taxable wage base for NH UI (\$8000) do not match, taxable wages reported on Form 940 may not match the taxable wage amount reported to NH. Total wages reported to NH may match the total amount of wages on Form 940, but there are times when even the total wage amounts will not match, such as with multi-state employment. This report indicates the employer's name, address, Federal Identification Number (FEIN #), and total and taxable FUTA wages paid during the year.

5. **Federal Form 941**

Federal Form 941 - Employer's Quarterly Return of Withheld Income Tax and Social Security Taxes can be used to determine the number of employees being reported to the IRS. Total wages may not equal the amount required to be reported to NHES. This report includes the employer's name, address, FEIN #, total wages, and tips paid during the quarter.

6. **Federal Form 943**

Federal Form 943 - Employer's Federal Annual Tax Return of Agricultural Employees provides the employer's name, address, FEIN #, and wages paid during the year.

7. **Federal Form 4070**

Federal Form 4070 - Employees' Report of Tips to Employer enables employees to report tips each month. If an employee receives at least \$20 in tips during any month, the dollar value of all tips received must be reported to the employer.

8. **Federal Form W-2**

Federal Form W-2 - Employee's Tax Withholding Statements are the employer copies of documents sent to individuals showing the yearly wage totals and tax deductions. They should be compared to wages reported by the employer and amounts listed on individual earnings records. The Field Agent/Auditor should compare names on the W-2's with the individuals reported on the quarterly tax reports. If W-2s are found for individuals who were not reported, the Field Agent/Auditor should determine why they were not reported, and decide if they should be reported to NH. The W-2 form provides the employer's name, FEIN #, the employee's name, social security number, and total wages earned for the year.

9. **Federal Form W-3**

Federal Form W-3 -Transmittal of Income and Tax Statement is a report which accompanies the IRS copies of all W-2's issued by the firm for the calendar year. The reconciliation of total wages, tips and other compensation listed on the W-3 with the amounts reported to NHES, can help identify additional wages that should have been reported to NH. The total number of W-2 statements entered on the transmittal form can be used for the same purpose. The form also includes the employer's FEIN #, name, and address. The employer may file more than one W-3 report, such as one with the W-2's for employees with social security numbers, one with the W-2's for employees without social security numbers, or one for hourly workers and one for management personnel.

10. **Payroll Computer Printouts From A Payroll Reporting Company**

If an organization uses a data processing company for payroll reporting purposes, the Field Agent/Auditor should examine other source documents. It is important to verify that all components of wages in NH have been reported. Occasionally items which should be reported as part of an individual's gross wages are not reported to the payroll reporting company, simply because the employer is not fully aware that those items constitute wages. The employer may not have reported all acknowledged payroll to the reporting company. Note: When payment is made by direct deposit, cancelled checks are not returned to the employer.

11. **Payroll Journal/Ledger**

This record contains payroll information such as wages paid, salary advances, loans to employees, bonuses, commissions, etc. paid to employees.

12. **Quarterly Tax & Wage Reports**

These reports must be filed in NH for NH wages.

13. **Specialized Payroll Books (SD)**

A variety of specialized payroll systems, such as the Pegboard System, where the only record is a carbon copy of the check. Information available includes the check number, the payee, and the amount of the check. Cancelled checks are not returned to the employer and there is no voucher system.

14. **Time Clock Cards (SD)**

The time clock cards are the employer's record of time worked by an employee and may include the employee's name, social security number, the rate of pay, the number of hours worked for a specific time period, the total wages paid, the deductions and the net pay. When gross wages paid are listed on the time clock cards, this document is considered a book of original entry and may be used as a Source Document while conducting the audit.

15. **Timekeeper's Book**

A record of payroll that contains the employee's name, social security number, date and number of hours worked, rate of pay, total gross wages, deductions, and net wages by pay period.

3.3.2 Other Books and Records

In addition to records for acknowledged payroll, an employer may keep other business records, which should be examined for unreported or hidden wages.

NOTE: The letters "S.D." denote a source document.

1. **Accounts Payable or Voucher Register**

This is a listing of items, waiting for final approval to be paid. Services paid in cash may sometimes be found in the voucher register. Individual items may be traced back to the cash disbursement records if the item was approved and paid. Alleged independent contractors may be included in the voucher register.

2. **Accounts Receivable Ledger**

Monies owed to the employer may be repaid by service. The amount of credit given for services performed would be wages.

3. **Balance Sheet**

A summary report reflecting the financial condition of the business as of a given date. Normally accrued wages and accrued taxes are found under current liabilities. The balance sheet can provide evidence of receivables that could be subject to garnishment if delinquent taxes are owed.

4. **Big Chief Tablets, Paper Sacks, etc.**

These may be the only records an employer has if cash is used for payments, and should be considered source documents if all payments are made in cash. The record may include payments made, the payee's name, social security number, and amount of payment (gross and net) by day or week.

5. **Cash Disbursement Journal (SD)**

The cash disbursement journal provides information about cash transactions. Entries in the cash disbursement journal are usually supported by cash receipts, vendor statements, vendor invoices, or petty cash records. This record may also be used to identify casual labor, extra labor, and alleged contract labor. This journal is considered a source document for hidden and unreported wages, and it usually shows check number, name of payee, amount paid, date paid, accounting code (number or description) and invoice number.

6. **Chart of Accounts for a General Ledger**

The chart of accounts can serve as a resource for selecting ledger accounts where wage items may be found. The Field Agent/Auditor is usually not interested in accounts containing fixed assets, unless attachable assets are being sought. Ledger accounts that may indicate unreported wage information could be Cost of Sales, Expenses (such as officer's salaries, professional fees, casual labor, miscellaneous expenses), Current Liabilities (such as salaries payable), Other Assets (such as advances to officers or employees), or other accounts.

7. **Check Register**

A check register lists checks written by an employing unit. Normally the checks are numbered and entered consecutively in the check register. Unless the employer transacts all business on a cash basis, the firm will have a check register. Inspection of the check register may uncover payments made for contract labor, casual labor, part time help, etc. The check register can be used to discern where the employer's bank account is located and if the employer has more than one account. **Banking information is of value if the employer becomes delinquent in payment of taxes.** An item in a check register usually includes the payee name, the amount paid, the accounting code (usually a number) and the payment date.

8. **Check Stubs/Cancelled Checks (SD)**

Cancelled checks and/or check stubs are a good source of information on wage items. Many employers write deductions from an employee's wages on the check stub. In some cases cancelled checks are not returned and all that is available is the carbon copy of the check.

Check stubs/cancelled checks are considered source documents.

This record normally shows the name of the payer, the name of the payee, the name of the bank, the bank account number, the date payment was made, and the amount of the net payment. The check stub or cancelled check may also show total wages paid for the quarter or year-to-date, tax deductions, net wages, employee social security number, other payments, other deductions, and the account coding in the general ledger for the payment items.

9. **Commission Earnings Records**

This is a ledger showing commissions earned, draws against commissions, and an individual's account balances. This is usually kept separate from the Payroll Journal/Ledger.

10. **Confidential Ledger**

This is sometimes called a private ledger. The confidential ledger is normally kept by one responsible individual and is not available to all of the individuals performing accounting work. The confidential ledger may have wage information concerning one or more officers of a corporation or contain wage or other information considered confidential by the owner, partners, officers or accountant of an employer. The Field Agent/Auditor should ask if there is a confidential ledger and examine the ledger if it is kept. Information taken from this ledger should not be discussed with anyone except the individual authorized to discuss the contents.

11. **Contracts With Independent Contractors**

Written contracts for services by independent contractors will give terms of the work agreement and is useful in making a decision as to whether or not an individual should be considered an employee.

12. **Corporate Charter**

The Corporate Charter Articles of Association will verify the date the corporation was formed and the date it was allowed to commence business as a corporation. It will indicate the nature of the business, the incorporators, and the registered agent prior to any changes in the minute book.

13. Detailed General Ledger (SD)

The Detailed General Ledger combines the features of both a Cash Disbursement Journal and a General Ledger. Detailed information about each individual transaction is listed in the appropriate account in the general ledger. Besides the detailed information about each transaction, the account also shows summary monthly totals and sometimes year-to-date totals for the activity in that account. It is both an individual transaction record and a summary record of business payments in one ledger. Current computer systems often will not maintain both a Cash Disbursement Journal and a General Ledger.

Computerized system transactions are generally posted as they are entered. It is helpful to refer to the chart of accounts to see what account titles might be suspicious. The financial records of a computerized system are usually printed and stored in hardcopy format for each accounting period.

To qualify as a source document, the Detailed General Ledger must contain at least date of payment, type of payment (cash or check), check number, name of payee, and accounting code (number or description).

14. Federal Forms 1099

There are a number of different federal Forms 1099. It is important to review all Forms 1099-MISC during the course of a NHES audit. Form 1096 can be used to verify the number and the total dollar value of the 1099's that were issued.

FORM NUMBER	REASON FOR THE 1099
1099-A	Acquisition or abandonment of secured property.
1099-B	Proceeds from broker and barter exchange transactions.
1099-C	Cancellation of debt.
1099-DIV	Dividends and distributions.
1099-G	Certain government and qualified state payments.
1099-INT	Interest income.
1099-LTC	Long-term care and accelerated death benefits.
1099-MISC	Miscellaneous income.
1099-MSA	Distributions from a medical savings account.
1099-OID	Original issue discount.
1099-PATR	Taxable distributions received from cooperatives.
1099-R	Distributions from pensions, annuities, retirement, etc.
1099-S	Proceeds from real estate transactions.

15. **Federal Form 1099-MISC**

This form lists fees, commissions, and other compensation paid to persons that the employer believes are not employees, however it is possible that individuals receiving 1099's could be in employment under NH RSA 282-A. If the Field Agent/Auditor determines the payments should have been reported as wages, adjustments would be needed. Although the 1099-MISC is for non-employee compensation, the Auditor should carefully review all forms issued to assure no wages were overlooked.

The form indicates the payer's name, address, and FEIN #, as well as the payee's name, address, FEIN # or social security number, and it also lists the amount of non-employee compensation.

REASON FOR ISSUING FORM 1099-MISC	WHEN TO ISSUE	POSSIBILITY OF WAGES
Payments for services by people not treated as employees	\$600 or more	Perhaps
Prizes and awards	\$600 or more	Yes, if given to an employee.
Rent	\$600 or more	Perhaps
Royalty	\$10 or more	No
Payments to crew members on a fishing boat or proceeds from sale of Catch	All amounts	No
Payments to a physician, physician's corporation, or other supplier of health and medical services. Issued mainly by medical assistance programs of health and accident insurance plans.	\$600 or more	Perhaps
Fish purchases for cash	\$600 or more	No
Crop insurance proceeds	\$600 or more	No
Gross proceeds paid to an attorney	All amounts	No
Direct sales of consumer goods for resale	\$5000	No

16. Federal Form SS-4

The Federal Form SS-4 Application for Employer Identification Number provides the employer's name, social security number if a sole proprietor, the general partner's name if a limited partnership, the employer's address, type of organization, date business started, date first wages were paid, if there is more than one business location, and the nature of the business.

17. Federal Income Tax Returns for Businesses

These schedules should be checked for expense items that could be wages.

18. Form 1040 - Schedule C (Sole Proprietor Business Expenses)

The Form 1040 - Schedule C Profit or Loss from Business or Profession is completed by sole proprietors for each business they operate. Items of interest include wages, cost of goods sold, commissions, other deductions, and accounting method. This record shows the taxpayer name, address, social security number, business name, business address, and payments made.

19. Form 1040 - Schedule H (Household Employee)

Form 1040 - Schedule H may be filed instead of the federal Form 940 Employer's Annual Federal Unemployment Tax (FUTA) report. Schedule H is an annual report of wages paid to domestic workers in an individual's home, and it also allows the individual to compute the amount of FUTA tax owed.

20. Form 1065 (Partnership Return of Income)

This form must be filed by every partnership receiving income from within the United States even if the principal place of business is outside the United States. Items of interest include wages, cost of goods sold, commissions, other deductions, Schedule K-1, and accounting method. This document also indicates names of partners, the business addresses, the FEIN #, the date business was started.

Limited liability companies (LLC) may also use federal Form 1065 to report their income and loss to the Internal Revenue Service.

21. Form 1120S (S Corporation Income Tax Return)

The Form 1120S U.S. Small Business Income Tax Return is completed by Subchapter S Corporations. Items of interest include wages, Schedule A - cost of goods sold, Schedule E - compensation of officers, Schedule K - distribution schedule.

22. Form 1120 (Corporate Income Tax Return)

Every corporation unless specifically exempt must file a tax return. Items of interest include wages, Schedule A - cost of goods sold, Schedule E - compensation of officers, Schedule L - balance sheets, dividend distributions. This document provides the employer's name, address, FEIN #, date of incorporation and officers.

23. General Ledger

As a rule, transactions of a like nature are posted monthly into a set of accounts which serves the purpose of summarizing and balancing debits and credits recorded in the various journals and subsidiary records. Each account represents a classification that is used in reporting the financial and operating facts of the business. Asset accounts include cash, securities, inventory, equipment and depreciation. Liability accounts include accounts payable, notes payable, and taxes payable. Income accounts include sales and other income. Expense accounts include payroll expenses, commissions, contract labor, outside services, and other expenses.

24. General Journal

This is a book of original entry in a double-entry bookkeeping system that contains daily transactional entries. The general journal also contains correcting entries for erroneously recorded entries, and carries all entries not provided for by some special journal. Field Agents/Auditors should examine the general journal for items that may be wages but not included on the employer's tax report. Adjusting entries at or near the close of an accounting period should also be scrutinized for possible wage items.

25. Minute Book

This is a corporate record of directors' meetings. It may report changes in corporate officers, the salary for corporate officers, directors' fees, or the basis for dividends and stock bonuses. **The Minute Book may also show compensation of employees and any noncash remuneration that may not be reflected in the bookkeeping records.**

26. Notes Payable Ledger

If a note is given to an individual for services performed, investigate to see if it constitutes wages.

27. Notes Receivable Ledger

Shows money owed to the employer on a secured note. Notes may be repaid by performing services. The dollar amount being liquidated by the services would be wages, or it could be part of the wages paid for some services, with the balance being properly recorded.

28. Partners' Drawing Accounts

Payments to members of a partner's family are possibly charged against this account. If the payments are for services, they may constitute wages for the family member. The partnership tax return may be checked to see if these amounts have been shown as taxable income to a partner. Drawing accounts may also show payments made to individuals for personal services (i.e., baby-sitters or other domestic workers, etc.)

29. Partnership /Limited Partnership Agreement

A partnership agreement is useful in determining the partner/worker status of individuals. A formal agreement must be recorded with the Secretary of State for a limited partnership. These agreements may set out conditions of payment and employment of members of a partner's family.

30. **Petty Cash or Cash Vouchers (SD)**

Many small items such as postage, freight, and other small miscellaneous items are generally paid with petty cash. Normally, one individual handles the petty cash fund.

Sometimes unreported wages are paid from petty cash, and therefore the activity in the petty cash fund should be examined by the Field Agent/Auditor.

This is considered a source document for acknowledged payroll, hidden wages or unreported wages.

31. **Profit and Loss (Income) Statement**

A summary used at the end of an accounting period to determine if the business made a profit or loss during the accounting period. An examination of this record should give a total of salaries paid during the accounting period. It may also give information about the collectibility of taxes.

32. **Stock Register**

A corporate record that shows issuance and transfer of stock. The Field Agent/Auditor should check to determine if stock was given as payment for services. Since it shows the number of shares owned, it can be used to verify the proper payment of dividends.

33. **Voucher Register**

Expense item is set up until an invoice is paid. Services paid in cash may be found in the voucher register. Transactions may be traced back to the cash disbursement records. Alleged independent contractors may be included in the voucher register.

3.4 In “Employment” vs Independent Contractor Decision

Please note that for purposes of this section, the word employee(s) shall be construed to be a **worker in “employment”** as defined in **NH RSA 282-A:9**

An audit of an employer's records may uncover workers who have not been reported as in “**employment**” to NHES. During the investigation, Field Agent/Auditor must decide if the workers are in “**employment**”.

Consider the following items before making a decision about whether a worker is in “**employment**”.

- **Direction and control** - A worker is an employee if the person for whom the work is performed has the right to direct and control the worker in the way the worker works both as to the final results and as to the details of when, where, and how the work is to be done. **The employer need not actually exercise control, it is sufficient that the employer has the right to do so.**
- **Continuing relationship** - An employee continues to work for the same person month after month or year after year. An independent contractor is hired to do one job of limited or indefinite duration, and there is no continuing relationship, even if used again at some later date.

- **Full-time required** - An employee may be required to devote full time to the business of the employer. An independent contractor works when and for whom he chooses.
- **Furnishing tools and equipment** - An employer furnishes tools, materials, equipment, etc. for the firm's employees. If a person is obligated to provide equipment and tools representing a substantial investment, it indicates an independent contractor relationship.
- **Hiring, supervising and paying assistants** - An employee may hire, supervise, and pay workers at the direction of the employer (such as a foreman or supervisory representative of the employer). An independent contractor hires, supervises, and pays other workers as a result of a contract to provide materials and labor and is responsible for the results.
- **Integration** - Services of an employee are merged into the overall business, and the success and continuation of the business depends upon these services. The employer coordinates the work with that of other workers. The success and continuation of a business are not dependent on the services of an independent contractor.
- **Location of service** - The service being performed on the employer's premises is not, in itself, control. However, control is implied in that the worker is physically within the employer's direction and supervision. The use of desk space and stenographic services provided by an employer implies control unless the worker has the option of performing the service at an alternate location. An independent contractor usually works away from the employer's premises, uses their own office, desk, telephone, or has the option of performing the services at a location of his choice.
- **Method of payment** - An employee usually gets a fixed wage on an hourly or weekly basis. An independent contractor usually receives a lump sum payment for a completed job.
- **Minimum salary** - Guarantee of a minimum salary usually indicates the existence of an employer- employee relationship.
- **Nature of the contract** - An independent contractor is usually hired to do a specific job but a continuing relationship, suggests an employer-employee relationship.
- **Order or sequence set** - An employee performs services in the order or sequence set by the employer. An independent contractor is concerned about the end result and sets the sequence as to how that result is accomplished.
- **Payment by hour, week, month** - An employee is paid by the employer in regular amounts at stated intervals. An independent contractor is paid an amount for the job.

- **Permitted to employ others** - If a worker is permitted to employ assistants with the exclusive right to supervise and delegate to them, the independent contractor relationship is suggested. If the worker is required to render the services personally, an employer- employee relationship is suggested.
- **Profit or loss possible** - A worker in a position to realize a profit or loss as a result of his services is generally an independent contractor. An employee cannot realize a profit or loss from a business, but an independent contractor can.
- **Reports required** - If regular oral or written reports are required, control is implied in that the worker is compelled to account for actions taken.
- **Right to terminate** - An employee may end the relationship with the employer at any time. An independent contractor is legally responsible for satisfactorily completing a specific job, and if the worker leaves before completing the job, that individual is liable for the cost of completion.
- **Services offered to the public** - Workers who follow a distinct trade, business or profession, work under their own control and offer their services to the public are independent contractors, however if the worker is expected to work full time under, an employer-employee relationship may be indicated.
- **Services rendered personally** - An employee's services must be rendered personally, as they are not able to engage other people to do the work. An independent contractor is able to assign a helper to do the job, or engage a substitute.
- **Services available to the general public** - An employee services are not available to the public except through the company. An independent contractor may have an office and assistants, business license, maintain a business telephone, advertise in newspapers or telephone directory, or be listed in business directories.
- **Set hours of work** - An employee usually has work hours and days set by the employer, or is "on call" when needed. The employer may have a priority over the employee's time. An independent contractor is master of his own time.
- **Significant investment** - An employee has little or no investment in their employer's business. An independent contractor has real, essential, and adequate investment in their independent business.
- **Time in which service performed** - Establishment of set hours of work by the employer implies control. An independent contractor, however, is free to work at any time, as long as the job is being completed as required by the contract.
- **Training** - An employee may be trained by an experienced employee already working for the firm, may have to attend training courses, or may be required to attend meetings for instruction on how the employer wants the services performed. An independent contractor uses his or her own methods and receives no training from the purchaser.

- **Travel expenses** - An employee's travel or business expenses are paid by the employer. An independent contractor is responsible for expenses, and is not reimbursed for these costs.
- **Working for more than one firm at a time** - An employee usually works for one employer. An independent contractor may work for a number of persons or firms at the same time.

3.5 Sample Audit Procedures

There are a number of ways to conduct an audit of an employer's accounting books and records. The following is a description of one method that can be used.

1. Begin with the acknowledged payroll.
 - a. Using earnings records, compute total and taxable wages. Compare those amounts to the "as reported", resolve any variances, and make appropriate comments.
 - b. Calculate total and taxable wages using W-2's and W-3.
 1. Calculate total wages by adding all gross wages on the W-2's.
 2. Calculate taxable wages for each person. If the gross wages for an employee is less than \$8000, include all of the gross wages for that individual in the calculation of taxable wages. If the gross wages are greater than \$8000, use \$8000 in the calculation.
 - c. Compare total and taxable wage amounts to the earnings records, resolve any variances, and make appropriate comments. You will need to determine which quarters are involved if there are variances.
 - d. Compare amounts to federal Forms 941, 942, or 943 as applicable, resolve any variances, and make appropriate comments.
 - e. Compare total and taxable wages to the amounts on federal Form 940. The amounts may not match due to the difference in state and federal taxable wage base. Resolve any variances, and make appropriate comments.
 - f. Choose a number of employees and compare the payments indicated on the earnings records to the actual checks written.
 - g. If the random sampling for verifying the payroll posting system is used and errors are found, it is necessary to expand the sampling in order to determine the magnitude of the discrepancy. **However, if no errors are found it is reasonable to assume that the employer did not make any errors in the remainder of the audit period.**
 - h. Note in the audit work papers all report errors or discrepancies that were resolved.

2. Begin to look for wages not included in the acknowledged payroll.
 - a. Begin with the employer's chart of accounts and look for accounts that might contain wages paid such as "Contract Labor, Outside Services, Miscellaneous Expenses, etc." Review the transactions posted to those accounts.
 - b. Examine the general ledger accounts and disbursement journals. Many employers use a "double entry" system, debiting the amount to one account and crediting it to another, so that the total debits equal the total credits. Other employers use a "single entry" system, which is usually a record of cash. The Field Agent/Auditor may encounter employers with little or no record of income and expenses.
 - c. Compare totals from the earnings records to the general ledger and disbursement journal for the quarter and year-end. Be aware of the employer's fiscal year end. A fiscal year end other than 12/31 can distort the figures.
 - d. Review any summary records the employer might have, such as Balance Sheet, Income Statement, Profit and Loss Statement or Big Chief Tablet.
 - e. Examine the employer's income tax return.
 - f. Examine the employer's 1099 file. Be sure that the general ledger or disbursement accounts to which the 1099's are charged have been examined for payments to additional people. Those who were paid less than \$600 may not have received a Form 1099, but payments to them may be reflected in the accounts to which the 1099's are charged. Question the employer about any suspicious payments. You may wish to examine the supporting documents.

If the employer correctly issued a Form 1099 to an independent contractor for at least \$100,000, attempt to determine if the independent contractor had employees. If the Independent contractor had employees, but lacks an active NHES tax account, the Field Agent will refer the Form 1099 to the appropriate tax area for a status investigation.

3. Continue the audit
 - a. Review 100 percent of other payments made by the employer in the search for unreported or hidden wages. Question any suspicious payments noted and review the employer's supporting documentation. Annotate findings.
 - b. If not accomplished during the pre-audit interview, secure all current Status data from either the employer or pre-audit questionnaire. Remember that an Amended Employer Status Report must be completed if a change in ownership has occurred.
 - c. Review all Petty Cash Payments.
 - d. Review Corporate or Board Minutes, if available.
4. Document findings in work papers.
5. Prepare and sign audit report.

3.6 Minimum Audit Requirements of the NHES Field Unit and the Tax Performance System (TPS)

The following audit procedures must be followed in order to meet the minimum requirements set by the New Hampshire Employment Security Field Unit and the Tax Performance System (TPS) as mandated by the Department of Labor.

3.6.1 Minimum Audit Requirements

1. Ownership of the business must be verified.

- Verification may be accomplished through a review of business licenses, partnership agreements, corporate charters, income tax returns, etc. It is always best to verify ownership by using a document covering the year of the audit, such as a tax return for the year of the audit. If the agreement, tax return, license, etc. is for a year other than the audit year, attempt to verify ownership using another method or another document.
- If all methods of verifying ownership have been exhausted without success, a recent year's federal tax return may be used to verify ownership. In this case the audit work papers must indicate the search for valid ownership information, and the reason for using another year's document.
- The specific information in the work papers on income tax returns and licenses reviewed are to include the form number or license reviewed and the document's year. Examples of forms include Form 1120 - Corporation, 1120s - Subchapter S Corporation, Form 1040 - Schedule C- Business Expenses for an individual owner, Form 1040 - Schedule H for reporting a household employee, State Sales Tax License, State Fuels and Use Report, and Comptroller Franchise Tax Report.
- Verifying the ownership of domestic employment and the ownership of a farm or ranch may be accomplished through reviewing the accounting records and canceled checks of the employer. Federal income tax form 1040 - Schedule H may also be used to verify the ownership of domestic household employment.

2. The audit scope explained if other than four (4) quarters.

An explanation for expanding the audit will continue to be required on audits that are more than the mandated four (4) quarters. Audits must be expanded back at least one year and forward through the last completed quarter of the following year if the employer underreports tax of \$500 for the original year being audited.

- Audits of less than four (4) quarters may be conducted on employers who opened a business and then went out of business before four quarters had elapsed. The employer must be closed and out of business and not merely operating without employment.
- New account audits must meet the same scope and documentation requirements as other audits.
- Audits conducted to obtain delinquent reports must meet the same scope and documentation requirements as other audits.

3. A pre-audit discussion was held with ownership.
 - The completed audit must include the name, title, and telephone number of the individual involved in the pre-audit discussion. This must be the owner, partner, officer, or representative designated by the employer. If the meeting is held with a designated representative, the documentation must include the name, title, and telephone number of the owner, partner, or officer making the designation.
4. The existence of the business was verified.
 - **The best way to verify the existence of a business is to conduct the audit at the employer's business location.**
 - "Personal knowledge" is acceptable with a thorough explanation.
 - A personal visit to the business satisfies this requirement. The visit could have occurred during the time period covered by the audit, or during a later time period up to the completion date of the audit.
 - Telephone listings, newspaper advertisements, and licensing agencies are acceptable. Visible signs may be used, but the type of visible sign must be listed. Internet web pages containing advertising or information about the particular business may be used. **A description of what evidence was used to verify the existence of the business must be given.**
 - Verifying the existence of a business for domestic employers, trust accounts, or agricultural employers can be accomplished by reviewing the employer's accounting books and records.
5. The payroll records tests were performed.
 - This activity involves 4 tests of the employer's payroll records.
 1. Verify the payroll posting system.
 2. Reconciliation of total payroll to total wages reported.
 3. Computation of total taxable payroll.
 4. Reconciliation of total taxable payroll to total reported taxable wages.
6. A search for misclassified wages was performed.
 - Four different categories of employer records are required to be examined during the search for hidden wages or misclassified workers.
 1. Examination of contract labor records.
 2. Examination of cash disbursement records.
 3. Examination of the general ledger or detailed general ledger.
 4. Examination of miscellaneous reports and records.
 - An effort to locate hidden or misclassified wages. If canceled checks or check stubs are used for this search, beginning and ending check numbers and the beginning and ending dates of the reviewed checks must be listed on the schedule.

- One of four outcomes must be identified for each record reviewed in the search for unreported wages.
 - Result Code #1 = No suspicion of wages.
 - Result Code #2 = Suspected but found NOT to be wages.
 - Result Code #3 = Suspected and found TO BE wages.
 - Result Code #7 = Misclassified worker.
7. A post audit conference was held.
- The name, title, and telephone number of the owner, partner, officer, or designated representative with whom the post audit conference was held must be listed. Sending a post-audit letter does not satisfy the requirement of discussing the audit results with the employer or his representative.
 - It is preferred that the authorization to meet with a designated representative be in writing. This serves as a legal protection for both the employer and the Field Agent. Authorization may also be verbal as long as it is documented. Documentation will include the name, title, and telephone number of both the designated representative and the owner, partner, or officer making the designation.
8. Adjustment reports were prepared and submitted.
- An Amended Employer Status Report is required if there has been a change in ownership. It is recommended, but not required for all other employers.
 - **Copies of the adjustments and supporting documentation will be included in the audit work papers.**
9. Monies were collected or an explanation provided.
- The amount of money collected will be listed, and if less than the amount due, an explanation is required as to why the full amount was not collected.
 - **The Field Agent/Auditor must inform the employer of the amount due and make an attempt to collect the money.** If the employer did not make full payment, the Field Agent must explain why full collection was not accomplished.
10. A written audit report was prepared.
11. The report must state the final determination and all facts contributing to or supporting that determination.

Any deviation from the above New Hampshire Employment Security Field Unit and TPS procedures will require a full explanation in the Findings and Recommendations section of the Audit Narrative Report.

3.7 Post Audit Conference

A post audit conference is required. During the post audit conference Field Agent/Auditor must explain to the employer or the employer's designated representative not only the audit results, but also any other changes, which must be made to comply with state reporting requirements. Any adjustments should be explained at this time.

The Field Agent/Auditor should:

- Explain to the employer what records have been examined, the conclusions from that examination, and the justification for the conclusions.
- Explain any tax reports and/or adjustments that are a result of the audit.
- Explain the employer's options if there is any disagreement with the results of the audit. (If an appeal is filed, the Field Agent/Auditor should be prepared to attend and present the audit findings)
- Secure any remittance for additional taxes. If a credit results from the audit, advise the employer on how to apply for a refund.
- Inform the employer of their responsibilities under the law.
- Explain the importance of reading and responding to instructions and requests in correspondence dealing with NHES.

If possible, the post-audit conference should be held with an owner, officer, or partner. The conference may be held with an authorized representative (CPA, attorney, bookkeeper, payroll manager) designated by the employer. Where discrepancies or noncompliance are found, they should be discussed with a responsible company official or designated representative who has the authority to order changes in the reporting procedure. In-house bookkeepers and in some instances, accountants, follow the employer's instructions on reporting procedures and may not have authority to make changes. A person with the authority to make changes should be made aware of the reporting requirements of the law in a Post Audit Conference.

If the post-audit conference is held with a representative not previously designated, in addition to the name, title, and telephone number of the designated representative, the Field Agent/Auditor must also provide the name, title and telephone number of the person who designated that individual for the post-audit conference.

The Field Agent/Auditor must remember that an audit is only partially successful if future compliance by the employer is not realized. The chance of future report delinquency by the audited employer is greatly reduced when the Field Agent/Auditor, acting on behalf of NHES, has done their job in an effective and thorough manner.